

Federal Government Budget 2023-2024

Infrastructure

Committee for Melbourne (Committee) believes a comprehensive evaluation of major infrastructure projects in Victoria is needed, with the potential reprioritisation of infrastructure spending based on anticipated productivity gains.

The Victorian Government has deployed a project spending program worth approximately \$90 billion over the next four years. This is equivalent to 23 per cent of total general government expenditure, which is higher than the long-term average.

With labour and material shortages leading to increased overall costs, transport project sequencing may need to be considered as outlined by Infrastructure Australia.

This need is amplified by Victoria's deteriorating public debt position, which is projected to be \$116 billion by June before surging to \$166 billion in 2026; surpassing New South Wales, Queensland and Tasmania's net debt combined.

Compounded by strong economic headwinds, including rising interest rates, inflation, an economy-wide skills shortage, as well as environmental, geopolitical and public health challenges, all major spending commitments should be scrutinised to determine the most productive use of taxpayer dollars. This includes consideration for further investment in social housing and health infrastructure.

Given Federal and Victorian Government budget constraints, collaborative engagement with the private sector to help deliver key infrastructure projects could be prioritised. Greater private capital involvement, including from Australia's superannuation funds, could help ensure key infrastructure is built faster and at lower cost to governments.

The Committee called for the establishment of Infrastructure Victoria and is supportive of its work, as well as the work of Infrastructure Australia. Governments should heed the advice of these organisations and proceed with projects with business cases that have been positively assessed by them, to ensure that taxpayer funds are being allocated to the most productive projects.

Recommendation 1: Review all major Victorian infrastructure projects for which Commonwealth funding support has been provided or requested and prioritise projects that are supported by Infrastructure Australia and/or Infrastructure Victoria.

Skills

The Committee calls on the Federal Government to prioritise skills development and attraction to support the Australian economy.

The Committee acknowledges the Federal Government's policy response following the Jobs and Skills Summit. It will likely have a strong impact on addressing the national skills shortage. But vigilance is needed. According to the *Victorian Skills Plan for 2022 into 2023* report, Melbourne needs approximately 290,400 additional workers by 2025 and Victoria collectively requires approximately 373,000 workers. Demand is most acute in the construction, health and aged care, services, teaching, financial services and IT sectors.

Australia needs to train its citizens to meet the demand of a growing and changing economy and to fill the skills shortfall with foreign workers. As global competition for talent intensifies, concentrating on retaining talented, locally trained international graduates could be astute.

Australia's visa system is relatively accommodating to foreign graduates. But to spur economic growth over the medium to long-term, extending the length of the Post-Study Work Visas, as well as creating simpler pathways to permanent residency and citizenship for students trained in growth industries, could be considered.

The Federal Government could incentivise prospective international students to undertake coursework that leads to employment in specific growth industries. Whether through course subsidies, tax incentives or visa conditions, appropriate policy settings would allow international students to contribute productively in emerging industries after completing their studies.

Recommendation 2: Extend the length of the Post-Study Work Visas to four years for bachelor and masters degrees and five years for doctoral degrees.

Recommendation 3: Incentivise international students to study coursework that helps build workforce capacity in identified growth industries.

Energy

The Committee encourages the Federal Government to develop a national energy plan that is supported by all states and territories, to continue to invest in renewable energy infrastructure and to ensure national regulations support the transition to a clean energy future.

Australia's energy sector needs to be overhauled. As a signatory to the Paris Agreement, international pressure on Australia to reduce its domestic consumption and exports of fossil fuels is mounting. More energy from renewable sources will need to be generated.

The Federal Government's commitment to Australia's low-carbon future is clear and commendable. But in the absence of a clear national energy plan agreed to at all levels of government, the states and territories are implementing their own transition policies. To optimise finite resources and ensure a smooth transition, a collaborative plan that includes timeframes to replace the country's coal-fired power stations with a mix of renewable energy sources could be helpful.

With more renewable energy being generated, governments need to prepare their energy networks with greater urgency. Investment in system strength and transmission infrastructure, as well as streamlining connections, will support greater renewable energy generation, overcome network constraints and contribute to the resilience and reliability of the transmission and distribution networks.

As part of Victoria's emission reduction efforts, decarbonising the gas sector will be critical. Victoria is more reliant on natural gas than all other states and territories, using it for power generation, manufacturing and general household uses. The Federal Government could assist Victoria by increasing its focus on green hydrogen development to determine its commercialisation potential.

Recommendation 4: Develop a national energy transition plan that is supported by every Australian state and territory.

Recommendation 5: In collaboration with the Victorian Government and industry, increase investment in green hydrogen research and development.

Housing

The Committee supports Federal Government intervention in the housing market to increase the supply of residential housing.

Access to safe and affordable housing is an issue for Melburnians with the city one of the most expensive places globally to purchase or rent residential property. According to *Benchmarking Melbourne 2022*, Melbourne is the sixth most unaffordable English-speaking metropolis for buying a home.

The implications are far-reaching. Low-income individuals and families are struggling to meet their day-to-day needs, homelessness is increasing and, in some cases, business owners are unable to attract staff in proximity

to their premises. Failure to ensure enough affordable housing will weigh heavily on Melbourne's capacity to attract and retain talent.

The *Give Me Shelter* report, compiled for Housing All Australians and supported by the Committee, concludes that taxpayer costs will reach \$25 billion annually by 2051 (2021 dollars) if the chronic shortage of affordable, public and social housing is not addressed. It also shows that every dollar invested by the Australian community in social and affordable housing delivers two dollars in benefits.

There is significant institutional capital appetite to invest in social, affordable and public housing. The Federal Government, in collaboration with the Victorian Government and other states and territories, could develop mechanisms and provide greater opportunities for private capital to provide and invest in these housing classes.

The Committee acknowledges the government's ambitious housing agenda, including measures taken to establish the National Housing Supply and Affordability Council (NHSAC), the Housing Australia Future Fund and the 'Help to Buy' shared equity scheme. Reviewing the impact of the capital gains tax discount and negative gearing on housing affordability could form part of the NHSAC's remit.

Recommendation 6: Release suitable Commonwealth land for housing development and develop mechanisms that encourage private investment in social, affordable and public housing.

Recommendation 7: Review the impact of the capital gains tax discount and negative gearing on housing affordability.

Recommendation 8: Reform investment rules to encourage investors (national and foreign) to rent out their investment properties.

Freight

The Committee encourages the Federal Government to invest in freight infrastructure and deliver regulatory reform to help businesses meet the challenges associated with higher freight volumes, a growing population, a changing economy and shifting expectations around safety and the environment.

Safe, efficient, reliable and low-cost freight transport is critical for Melbourne's trade-exposed economy. It supports local businesses and producers, boosts job creation, improves productivity and helps ensure timely delivery of goods.

The Committee acknowledges the recent investments made at the federal level to support the freight sector, including on Inland Rail and the Roads of Strategic Importance initiative, as well as progress made to simplify regulations. It is important to build on these investments and policies.

With Inland Rail due for completion in 2027, delivering the Western Interstate Freight Terminal (WIFT) has become urgent. Deigned to support the existing major western Melbourne freight and logistics area, WIFT should connect with Inland Rail and have direct rail connection to the Port of Melbourne to allow the operation of Port Rail Shuttles and to maximise rail freight operations. Planning for and safeguarding appropriate additional terminals is also essential, including outlining the business cases for the Beveridge Interstate Freight Terminal and the recently announced Somerton Intermodal Terminal. A transparent decision-making process for additional terminals should be undertaken concurrently with WIFT's construction.

Another pressing issue facing the freight and logistics industry is the skills shortage. With the freight sector workforce aging twice as quickly as the national average, at a time of industry growth and digitisation, action is needed to attract new workers to the sector with the appropriate skills.

Recommendation 9: In collaboration with the Victorian Government, urgently deliver the Western Interstate Freight Terminal and provide transparent plans and business cases for additional terminals.

Recommendation 10: Develop a plan for increasing the number of skilled workers entering the freight and logistics sector.

Recommendation 11: Fast-track the deployment of regulated Intelligent Transport Systems technologies on key freight corridors and continue to invest in the Freight Data Hub to improve data collection and analysis capability.

Fishermans Bend

The Committee encourages the Federal Government to invest in transport infrastructure in the Fishermans Bend precinct to help improve mobility and spur economic development.

Fishermans Bend is Australia's largest urban renewal precinct located on the edge of Melbourne's CBD. It covers more than 480 hectares and offers significant economic, educational, residential and cultural development opportunities.

The [Fishermans Bend Framework](#) is the long-term strategic plan for the precinct's development to 2050. Released prior to the COVID-19 pandemic, the framework estimates that Fishermans Bend will be home to 80,000 residents and 80,000 new jobs over the next 30 years. This influx of people will cause an increase in local commuter traffic and levels of mixed land use.

While the framework's vision for the area is to be a "thriving place that is a leading example for environmental sustainability, liveability, connectivity, diversity and innovation," achieving the vision is proving to be slow-moving and difficult. The lack of high frequency public transport options is likely a significant factor contributing to this stagnation.

Extending tram lines to the area would help reduce traffic congestion, while investment in a metro station, to be incorporated into a future underground line - Melbourne Metro 2 - would not only improve mobility, it would spur private investment into the precinct.

The Port of Melbourne is Australia's largest general cargo and container port and lies within the perimeter of Fishermans Bend. As the precinct undergoes its renewal, governments and stakeholders need to plan for the demands of the port and the wider freight and logistics operators that rely on its efficiency and accessibility.

Recommendation 12: Invest in the tram network to Fishermans Bend, with consideration of extending the route 11 and 48 tram lines across the Yarra River and down Turner Street by 2026.

Recommendation 13: Investigate a potential metro station location within the Fishermans Bend precinct and plan the Melbourne Metro 2 link.

Recommendation 14: Invest in the Webb Dock Freight Link at the Port of Melbourne.

Cities

The Committee encourages the Federal Government take a strategic and active role in the planning and development of Melbourne.

According to *Benchmarking Melbourne 2022*, the city's ability to grow sustainably and renew its liveability appears challenged by the character of metropolitan growth. Despite its world-class city centre, Melbourne has an underperforming metropolis with less access to public transport, affordable housing and green spaces than experienced in the inner city.

For Melbourne to attract and retain talent, as well as encourage private investment and create jobs, it needs all tiers of government, the private sector and community, to work together towards shared goals. Cultivating collaboration could begin with a strategic approach across all governments, that considers transport, land-use and economic development planning.

As highlighted in [Transporting Melbourne](#), there are a plethora of plans and frameworks that seek to provide a planning roadmap for how Melbourne should grow, but none offer a comprehensive, strategic framework outlining how growth will be supported over the long term. The government could support the development and publication of an integrated transport plan for Melbourne that identifies clear, distinct processes, timeframes and accountabilities for city-level reforms. This would provide guidance for the direction of Federal Government spending and allow their early involvement in project planning and business cases for major projects to ensure better outcomes for taxpayers.

The Federal Government-led *City Deals* program helped coordinate governance, strategic planning, investment and reform in cities and regions throughout Australia. Providing transparent, planned and consultative reinvestment in this program could help Melbourne overcome its challenges and realise its potential.

Recommendation 15: Collaborate with the Victorian Government, local councils, industry and the community, to develop and publish a comprehensive, integrated transport plan that includes land-use and economic development planning, which meets the requirements of the *Transport Integration Act 2010*.

Recommendation 16: Reinvest in the City Deals program to align planning, investment and governance between the three tiers of government and community.

East Coast Megaregion

The Committee welcomes the recognition by the Federal Government of the importance of high speed rail along Australia's East Coast and notes the establishment of the High Speed Rail Authority as the statutory agency tasked to advise on, plan and construct a high speed rail system.

Investment in high speed rail along the East Coast presents an opportunity to reshape Australia. Population growth, a changing economy, urbanisation and climate change are transforming our cities and regions, and a plan is required to manage such significant and complex change to help ensure that Australia's urban and regional landscape remains sustainable.

Connecting Australia's East Coast capital cities and regional towns via high speed rail will not only require a credible business case, it will require leadership, political will, planning, bureaucratic coordination between governments, as well as collaboration with industry and the community. A strong, unified vision with clear project objectives is essential.

In March 2020, the Committee released its [Reimagining Australia's South-East](#) report, which called for greater collaboration and integration along Australia's eastern seaboard to help unlock tens of billions of dollars of economic benefits and to help maintain our high living standards. While various policy decisions, initiatives and investments - small and large - are needed to facilitate greater collaboration and integration, high speed rail would be a key catalyst.

Innovative funding and finance mechanisms should be explored to deliver high speed rail. Relying on traditional funding sources, including government revenue from tax increases, expenditure cuts, or user charges, will only form part of the solution. The Committee supports the consideration of *value capture* as a funding mechanism. Designed to capture any uplift in value generated by new transport infrastructure, this mechanism could assist the government to recoup some investment costs.

Apportioning value between taxpayers paying for the new infrastructure and those that benefit, including developers, landowners and users, is difficult and will require a model that ensures fairness. Provided a fair value capture model is developed, it would potentially enable rail projects to be funded in a manner that is beneficial to all taxpayers.

Recommendation 17: Develop a vision and settlement strategy for Australia's East Coast that is underpinned by high speed rail.